

HENRY B. GONZALEZ, TEXAS, CHAIRMAN
 FRANK ANNUNZIO, ILLINOIS
 STEPHEN L. NEAL, NORTH CAROLINA
 CARROLL HUBBARD, JR., KENTUCKY
 JOHN J. LAFALCE, NEW YORK
 MARY ROSE OAKAR, OHIO
 BRUCE F. VENTO, MINNESOTA
 DOUG BARNARD, JR., GEORGIA
 CHARLES E. SCHUMER, NEW YORK
 BARNEY FRANK, MASSACHUSETTS
 BEN ERDREICH, ALABAMA
 THOMAS R. CARPER, DELAWARE
 ESTEBAN EDWARD TORRES, CALIFORNIA
 GERALD D. KLECZKA, WISCONSIN
 PAUL E. KANJORSKI, PENNSYLVANIA
 ELIZABETH J. PATTERSON, SOUTH CAROLINA
 JOSEPH P. KENNEDY II, MASSACHUSETTS
 FLOYD H. FLAKE, NEW YORK
 KWEISI MFUME, MARYLAND
 PETER HOAGLAND, NEBRASKA
 RICHARD E. NEAL, MASSACHUSETTS
 CHARLES LUKEN, OHIO
 MAXINE WATERS, CALIFORNIA
 LARRY LAROCGO, IDAHO
 BILL ORTON, UTAH
 JIM BACCHUS, FLORIDA
 JAMES MORAN, JR., VIRGINIA
 JOHN COX, JR., ILLINOIS
 TED WEISS, NEW YORK
 JIM SLATTERY, KANSAS
 GARY L. ACKERMAN, NEW YORK

U.S. HOUSE OF REPRESENTATIVES
 COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ONE HUNDRED SECOND CONGRESS
 2129 RAYBURN HOUSE OFFICE BUILDING
 WASHINGTON, DC 20515

September 30, 1991

CHALMERS P. WYLIE, OHIO
 JIM LEACH, IOWA
 BILL MCCOLLUM, FLORIDA
 MARGE ROUKEMA, NEW JERSEY
 DOUG BEREUTER, NEBRASKA
 THOMAS RIDGE, PENNSYLVANIA
 TOBY ROTH, WISCONSIN
 ALFRED A. MCCANDLESS, CALIFORNIA
 RICHARD H. BAKER, LOUISIANA
 CLIFF STEARNS, FLORIDA
 PAUL E. GILLMOR, OHIO
 BILL PAXON, NEW YORK
 JOHN (JIMMY) DUNCAN, JR., TENNESSEE
 TOM CAMPBELL, CALIFORNIA
 MEL HANCOCK, MISSOURI
 FRANK RIGGS, CALIFORNIA
 JIM NUSSLE, IOWA
 RICHARD K. ARMEY, TEXAS
 CRAIG THOMAS, WYOMING
 SAM JOHNSON, TEXAS
 BERNARD SANDERS, VERMONT

(202) 225-4247

OCA FILE: ~~XXXX~~ 'S'
 RECEIPT #: BCCI

Mr. Richard J. Kerr
 Acting Director
 Central Intelligence Agency
 Washington, D.C. 20505

Dear Mr. Kerr:

As you know, the Committee on Banking, Finance and Urban Affairs is conducting an investigation of the First American Bank (FAB), its connections to Bank of Credit and Commerce International (BCCI), and the numerous allegations surrounding BCCI, from narcotics money laundering and hidden foreign ownership of U.S. banks, to regulatory evasion and conspiratorial activities. The Committee is conducting this investigation as part of its jurisdiction pursuant to House Rule X(1)(d) over banks and banking. Several public hearings have been held and numerous subpoenas have been issued for records that will trace this tangled international financial web.

The Committee has subpoenaed records of the First American Bank as part of this investigation. Some of the subpoenaed records involve your agency's relationship with FAB. I will call these the "FAB records." This Committee understands that your agency has concerns about these records, and so the Committee staff, at my direction, has held numerous discussions with your agency's representatives including a lengthy meeting on September 18 for discussions on how to proceed regarding these particular FAB records. In these discussions, your agency representatives have also described records within your agency that are pertinent to our investigation. I will refer to these as the "BCCI/CIA records." The Banking Committee intends to carry forward with its investigation, including access to both the FAB and BCCI/CIA records, while providing all legitimate security measures.

We are now seeking to complete our understanding of what specific security measures you agency would suggest, either for the FAB records, or for the BCCI/CIA records shared with this Committee. We understand there to be four such measures. First, the particular investigator on this matter, Dennis Kane, should receive your review for an Special Compartmentalized Information (SCI) clearance or, in the short term, an interim SCI clearance.

His recent background investigation and Top Secret clearance should speed the requisite review, and an expedited completion of that review will simplify all subsequent discussions and build confidence on all sides. There may be a need for other cleared staff, about which we will communicate separately. Second, we understand that while our own secure facilities are adequate for some sensitive records, some records should be examined only at a Special Compartmentalized Facility (SCIF). Third, the financial expert at your agency indicated a desire to assure that in any collection of FAB records, we consult with him regarding the personnel involved in the collection.

Fourth, and perhaps most important, we understand that your agency has different levels of concern regarding various records in question, and may strongly desire that some records not be collected even under secure conditions. We expect to resolve such questions through further discussions. The Committee understands the pertinent objections your agency has expressed regarding the examination of banking relationships maintained by your agency. An important point to remember is that the issue of looking at bank records arises, not because of ordinary oversight regarding your agency, but because of the special circumstance of this particular investigation, mainly the extreme nature of allegations regarding BCCI and FAB. There is no question of establishing some precedent here regarding oversight generally, but our intention is to limit such activity to the special circumstances involved in the BCCI/FAB banking scandal.

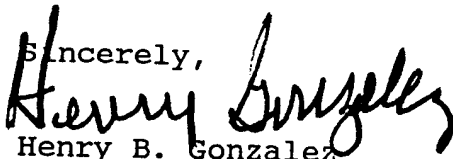
In discussions with my staff, your representatives have indicated that your agency might communicate an instruction to FAB to forbid and to block the provision to us, of all pertinent FAB records. Allusions were made to a possible legal position by your agency along the line that none of these bank records could be produced by FAB and then provided to the Banking Committee based on what your agency termed as "constitutional" grounds. This Committee is pleased to fully inform your agency of our broad constitutional powers of investigation, and its authoritative jurisdiction in the sphere of banking, if it appears that there are any questions in that respect. We have difficulty accepting that your agency would take a position that would seek to preclude the Banking Committee from fulfilling its oversight responsibility related to banks and the bank regulatory system, especially in light of the serious allegations that have surfaced related to BCCI and FAB. The Banking Committee would prefer to work with your agency. We can discuss the details of when records are provided, and how, and which ones, but flatly asserted denials of our right to see any pertinent FAB or BCCI/CIA records would represent an unacceptable, if not inflammatory, step.

In this regard, briefings, internal reports, and other assistance by your agency are valued by us, and we are accepting your offers in this regard. We expect to examine the CIA Inspector General Report on BCCI as promptly as possible, and in the near future, expect to interview CIA employees regarding our BCCI

investigation. The Committee also expects to interview officers of FAB, and to the extent your agency has a legitimate interest in those interviews, we will arrange those interviews to safeguard those interests. We look, at this time, with disfavor on suggestions either of withholding of reports, delaying of interviews, or our reliance on some other investigation, either internal or external to your agency. The parallel separate investigations by the intelligence committees will be valuable, but the Banking Committee has conducted numerous bank investigations, and we must say from our experience in banking scandals such as BCCI, that our own examination of pertinent records is the surest course.

The Committee's investigation, including its requirement of production of subpoenaed bank records, is proceeding without delay. Accordingly, we would request your written reply by the close of business on Wednesday, October 2, as to whether you will proceed as promptly as possible with each of the following: (1) acknowledging our legitimate interest in examining the FAB records while we acknowledge and satisfy your legitimate security interests; (2) assisting us with the security measures noted above -- clearances, physical security for records, consultation on bank personnel, and interview arrangements, so that there will be no extraneous delays; and (3) providing access to the agency's own FAB and BCCI-related documents (as distinct from the bank records) as the need may arrive.

To avoid misunderstandings, we should re-emphasize, as our course of action over the past weeks has indicated, that we are not taking any precipitate steps with respect to the production of documents under our subpoena of FAB records, and that our discussions with you also call for no precipitate steps on your part, though we reserve our full authority if the method of consultation and discussion proves unavailing. This Committee recognizes that the positions taken by your agency representatives, while sometimes reflecting a lack of understanding of the investigative authority of the Congress and this Committee in the banking realm, simply reflect their understandable expressions of legitimate security concerns which are their duty to protect. We are now at a stage where by further written and oral exchanges, we expect a positive solution. I share with you every confidence that we can resolve these matters fully consistent with our respective responsibilities.

Sincerely,

Henry B. Gonzalez
Chairman

cc: The Honorable David McCurdy